

## SCHOOLS FORUM AGENDA ITEM

For Action

For Information

**Brief Description of Item** (including the purpose / reason for presenting this for consideration by the Forum)

**This report provides an update on the DfE's published response to the consultation on the completion of the 'hard' National Funding Formula reforms, with changes to be implemented for 2023/24.**

**Date (s) of any Previous Discussion at the Forum**

The DfE's transition to National Funding Formula has been a matter that has been regularly considered by the Schools Forum since 2016. The Forum considered the DfE's latest consultation on 15 September 2021.

**Background / Context**

The DfE in 2018/19 implemented the National Funding Formula (NFF) across the Dedicated Schools Grant (DSG), and within the Schools Block, in 'soft' format, meaning that local authorities can still decide the formulaic calculations that are used for distributing Schools Block funding to mainstream primary and secondary schools and academies, albeit within tight Regulations. Local authorities continue to set their own Growth Fund and Falling Rolls Fund arrangements. There currently are also elements of Schools Block funding that are not yet covered by the NFF, the most prominent of these being the funding of PFI (Building Schools for the Future).

The DfE has for some time now stated that its longer-term intention is to transition to a 'hard' formula approach, where Schools Block formula allocations will be calculated by the DfE, using a single national funding formula, which cuts across local authority boundaries, where local authorities no longer decide their own local formula funding arrangements. The DfE launched, in July 2021, a new first-stage of consultation, to gather initial views on how to complete the transition to the 'hard' National Funding Formula. We responded to this consultation in September (please see Document NG). This was a rather high-level consultation, focusing on general approaches and principles, to be followed by a more detailed set of proposals and further consultation. Within the document, the DfE specifically stated that how Schools Block funding will support SEND will also be affected by the SEND national review, which is currently out for consultation (until July 2022). The DfE's hard NFF consultation set out a direction of travel, starting from April 2023 at the earliest.

In presenting the consultation, back in September, we highlighted for the Forum that:

- In anticipation of the transition to hard NFF, we have already moved to using the NFF for our local Schools Block formula (since 2018). So, much of what the DfE proposes about requiring authorities to move closer to the NFF from April 2023 isn't an immediate worry, in terms of us needing to manage substantial levels of change. Our concerns are more related to Schools Block cost control during the final transition period.
- The consultation proposals don't deviate at all from the DfE's previously stated aim and, in fact, seek to move to a hard NFF to the fullest extent possible – effectively replacing all local Schools Block funding arrangements that are currently managed by local authorities – not just formula funding, but also PFI, Growth Fund and Falling Rolls Fund. We highlighted that there are potential difficulties with what the DfE is proposing in principle, which the DfE doesn't yet answer. The document regularly talks about review work to come and finding 'alternative mechanisms'.
- One of the biggest potential risks for us is the funding of PFI (Building Schools for the Future) within the Schools Block, where the Council and individual schools and academies have contractual commitments. The DfE recognises that this is an area of potential difficulty and specifically states that change to PFI funding won't take place until 2024/25 at the earliest (whereas the DfE talks about 2023/24 for other factors). We would wish to be involved in the DfE's PFI review work.
- There is no fixed end date by which hard NFF will be implemented. Change will happen gradually and following impact review at each stage from April 2023.
- Early Years and High Needs funding will remain managed by local authorities.
- Under the Schools Block hard NFF as proposed, the Local Authority will have continued responsibilities for providing certain data to the DfE so that it can calculate allocations e.g. for falling rolls, growth, split sites. We asked in our response whether it would be better (and timely and responsive) to allow authorities to continue to manage these streams (especially Growth and Falling Rolls) according to criteria set by the DfE.
- How central local authority functions that are currently funded within the Central Schools Service Block (CSSB) operate is to be reviewed. This may lead to substantial changes, including to the CSSB being transferred into the Local Government Finance Settlement rather than remaining within the DSG. There is a general risk here that reform of the CSSB may mean that authorities lose funding (including by not receiving appropriate annual uplifts linked to specific pupil-led pressures) and / or lose the clarity on how much funding is being specifically allocated for critical education services, such as pupil admissions.

## **Background and Context**

- The Schools Forum will have an adjusted roll in the future, as there will be no further Schools Block activity to manage, but will still be an important local body going forward for early years, for high needs, for central services, and for responding to national consultations.
- The question is asked again (as appeared back in consultation in 2016) about whether funding for maintained schools should now be calculated on an academic year basis, to align with academies. The DfE stated that this is an 'open question' to assess the 'appetite' for this change. There will be obvious financial accounting implications for us and for our maintained schools if this was to happen.
- Multi Academy Trusts will continue to have flexibility to pool some formula funding to distribute this between the academies within the MAT differently from notional NFF allocations.

## **Details of the Item for Consideration**

The Government's White Paper, published on 29 March 2022, links very strongly with development of the hard National Funding Formula. The policies within the White Paper, combined with the National Funding Formula reforms and the SEND Review, will alter the role of the Local Authority in the management of DSG funding. The role and composition of the Schools Forum will also change.

The DfE published its response to the hard NFF consultation on 28 March 2022. The response is here:

<https://www.gov.uk/government/consultations/fair-school-funding-for-all-completing-our-reforms-to-the-national-funding-formula>

Further crucial rounds of consultation are expected in due course. The DfE's Schools Block operational guidance, which will be published in July, will provide more detailed instructions on the changes that are to be implemented for next year, which we will need to respond to within our 2023/24 DSG decision making cycle.

In terms of the DfE's response to the 'hard' NFF consultation, at this time:

- One of the main themes of the DfE's response is the emphasis that implementing a 'hard' NFF remains the long-term aim of the DfE, bringing all authorities in line and using the same methodology to allocate Schools Block funding. However, the DfE understands that this transition must be actioned carefully and incrementally to minimise turbulence. There is no set timeframe to fully implement these changes.
- For 2023/24, the DfE will instruct all local authorities to use each of the NFF factors, and *only* these factors. The DfE will also instruct, via the Regulations, that all authorities who do not already 'mirror' the NFF must move their formula to be closer to the NFF values, by at least 10%. Those that already mirror will have a '1% threshold' allowance. This suggests that authorities that already mirror the NFF will have some, but not much, flexibility to vary their formulae to move away from NFF. This then still raises the question of how authorities will be able to allocate reserves through the formula, if authorities are not permitted to use additional factors and if authorities that are mirroring are not allowed to deviate much from NFF formula values. On a related specific point, the application of the Reception Uplift factor in 2023/24 is unclear here at this time (as this is an optional factor that is not included in the NFF). This may affect our decision making for the primary-phase in 2023/24. We anticipate that the July Schools Block operational guidance will clarify this and other matters that are currently a little uncertain.
- In subsequent years, after 2023/24, the DfE intends to continue to instruct authorities that are not yet 'mirroring' the NFF to move closer to it. The DfE however, does not specify a timeframe or by how far these authorities must move their formula closer beyond 2023/24. The DfE states that the impact each year will be monitored before further decisions are taken.
- The DfE continues to recognise the complexities of moving premises factors (split sites, PFI) into a hard NFF. Responses to the consultation also reflected this.
  - The DfE continues to be committed to reforming split sites funding, and to developing a NFF approach. There will be further consultation later in 2022/23, with a view to allocating split sites funding through the NFF from 2024/25.
  - The DfE continues to be committed to reforming PFI funding. However, this is an especially complicated area. Further consultation will take place before attempting to tackle this more formally. The DfE does not specify a timeframe for this. As an authority with an interest in PFI, our response stated that we would like to be involved in the process for reforming and developing PFI funding.
- The consultation considered the Growth Fund and Falling Rolls Fund, proposing the creation of standardised national criteria for allocating both of these funds. Overall, the majority of responses were in favour on a standardised process, but there are complexities. The DfE has committed to further consultation, which will present more detailed proposals and which will further test how the national rollout of these funds could be designed and implemented. Clarity is needed here about the role that authorities will have in any new

### **Details of the Item for Consideration**

process, and the extent of local flexibility, which the DfE now suggests will be part of the reformed system. As Bradford is reaching the end of its current growth cycle, as the demographics of Bradford demonstrate that the District has begun to see declining birth rates, changes to the Growth Fund criteria may have minimal financial impact on us. As previously discussed with the Forum, demographic reduction also limits the effectiveness of the Falling Rolls Fund in our circumstances, as surplus school places are not expected to be required in the medium term sufficiency plan.

- The DfE's consultation proposed a review of the Central Schools Services Block (CSSB), with the possibility that the on-going funding elements of the CSSB could be rolled into the larger Local Government Funding Settlement (LGFS). The DfE's response now confirms that further review will be conducted of the services delivered by the CSSB, which the DfE states will align with the Schools White Paper, and further consultation will be published. The DfE stresses that services that are *delivered for all schools* (Maintained and Academy) will continue to receive central government funding (currently via the CSSB). For services that are currently *delivered on behalf of schools*, the option of de-delegation by local authorities will continue under the hard NFF, and there will also be the option for schools to purchase some of these services directly via a traded offer. Multi Academy Trusts will continue to be permitted to 'top slice' and to pool funding, although the DfE will further investigate changes that could improve the transparency and consistency of these processes. The DfE acknowledges the concerns that were raised by respondents, regarding the implications of rolling the CSSB into the LGFS. The DfE expresses the view that this could still be beneficial for local authorities. The DfE will further review this going forward (with no further details provided at this time). Part of the CSSB currently includes funding for historical commitments, with this funding annually reducing. Although we did not agree with this in our response, the DfE confirms that a 'legacy grant' will be established to support authorities in certain circumstances. This grant will be in place by the time the hard NFF is fully implemented.
- The consultation included a question, which explored the possibility of funding local authority maintained schools on an academic year basis, rather than on an April to March basis, in line with academies. This question received a very mixed response (as it did back in 2016 when the question was last asked). The DfE now states that it will "not prioritise" this policy. What is exactly meant by this is a little unclear. However, we anticipate that this means that the DfE will not actively pursue this change in the next few years over the period when the hard NFF is being further developed and implemented.

### **Implications for the Dedicated Schools Grant (DSG) (if any)**

The outcomes of the latest NFF consultation will directly influence the direction of travel, from April 2023, of the Schools Block and of the Central Schools Services Block, with the detailed implications to be presented by the DfE in a 2<sup>nd</sup> stage of consultation to come. The transition to hard NFF may have wider implications for the central retention / management of DSG funding and for de-delegation within the Schools Block. This consultation also signals reform of the role of the Schools Forum in the future.

### **Recommendations**

**Recommended – the Schools Forum is asked to consider and to note the information presented.**

### **List of Supporting Appendices / Papers (where applicable)**

None

### **Contact Officer (name, telephone number and email address)**

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